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S E C R E T SECTION 01 OF 02 AMMAN 007547

SIPDIS

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SUBJECT: SCENESETTER FOR VISIT OF TREASURY ACTING A/S
GLASER TO AMMAN

REF: A. AMMAN 01356

[B](#). AMMAN 01150

[C](#). AMMAN 07498

Classified By: CHARGE D'AFFAIRES DANIEL RUBINSTEIN. REASONS: 1.4 (B, D
& E)

[1](#)1. (S/NF) SUMMARY: The USG has enjoyed improved engagement with the GOJ on anti-money laundering/countering terrorist financing issues over recent months, as Jordanian officials increasingly understand the importance the USG places on these issues and the vulnerabilities of Jordan's economy to an inadequate AML regime. The difficulties of Arab Bank with its U.S. regulator highlighted the need for an improved AML/CFT regime in Jordan. Jordan's General Intelligence Directorate (GID) continues to play a critical role in disrupting terrorist financing and money laundering. The GOJ is now working to play a more systematic, overt role on these issues, thanks largely to U.S. pressure. The AML law is key to allow the GOJ to play its proper regulatory role. While the King and GOJ are strongly behind the AML law, the Cabinet struggled through the first half of the summer to gain a grudging vote of confidence from a Parliament resistant to the political, social and economic reforms being pushed by King Abdullah and his government. The AML law has yet to be considered by Parliament, and will likely move slowly, despite strong government backing. During your visit, the GOJ needs to hear the USG's strong, continuing conviction that passage of the AML must continue to be a top priority for Jordan. END SUMMARY.

THE AML LAW

[1](#)2. (S/NF) In mid-2003, with IMF assistance, the Central Bank of Jordan (CBJ) drafted an Anti-Money Laundering (AML) Law that includes provisions for the creation of a national Financial Intelligence Unit (FIU) and for information sharing with international law enforcement agencies. Initial lack of comprehension within Jordan's Cabinet about the current realities of international banking standards led to the draft being put in the equivalent of bureaucratic deep freeze for months. Ironically, some of the Cabinet's leading reformers opposed the law because of a misplaced fear that it would hobble Jordan's financial sector. Over recent months, we have received clear commitments from the King, Prime Minister Badran, and Finance Minister Kodah to present the draft to Parliament. However, the long and difficult process of winning Parliament's confidence in the new government was the King's top priority over the summer. This was finally achieved on July 21, partially by sacrificing Finance Minister-designate Bassam Awadallah, a prominent reformer and Jordanian-Palestinian.

[1](#)3. (S/NF) The AML law is one of the government's key reform initiatives. However, it will likely go before Parliament at the same time as the National Agenda which calls for ambitious political and economic reforms (ref C). The opposition of the parliamentary establishment to these yet-to-be-detailed proposals will be strong, including among East Bankers who have traditionally been strong supporters of the King.

[1](#)4. (S/NF) Despite the absence of an AML law, the Central Bank of Jordan has quietly urged Jordan's banks to respond to USG requests for information related to suspicious banking activity. Jordan's current bank secrecy law prohibits banks from releasing account information without the approval of the account holder or a court order. Nevertheless, we have been able on a number of occasions to obtain all account information requested by Washington agencies, and have established informal mechanisms to continue to do so in the future, pending the establishment of an FIU, as envisioned under the AML Law.

[1](#)5. (S/NF) During your visit, the GOJ needs to hear the USG's strong, continuing conviction that passage of the AML must continue to be a top priority for Jordan. A stronger AML/CFT regime is essential for the fight against terrorist financing, and an important step toward achieving Jordan's goal of becoming a regional financial center. In this

campaign, the CBJ will be a strong ally.

ARAB BANK

16. (S/NF) The imposition of a \$24 million fine on Arab Bank on August 17 by the Office of the Comptroller of the Currency (OCC) and FINCEN brought to a close a difficult period for Arab Bank and the government of Jordan. The fine was imposed by the OCC over the failure of Arab Bank's New York branch to comply with U.S. anti-money laundering laws. Specifically, the bank's branch was accused of failing to adequately guard against the risks of money laundering and terrorist financing, and failing to properly report suspicious activities. Earlier in the settlement process, Arab Bank agreed to improve its internal controls and convert its New York branch into a federal banking agency, ending the branch's wire transfer business.

17. (S/NF) Before the Arab Bank case broke in January, CBJ officials believed their regulation of Jordan's banking sector for AML/C TF would have prevented such problems from occurring. Top CBJ officials took an active role in assuring U.S. regulators that CBJ was eager to ensure no future AML/CTF problems. In a recent discussion with ECOUNS, CBJ's Deputy Governor said he hoped the worst of the Arab Bank problems were behind; he was in regular contact with Arab Bank's management and is pressing the Bank hard to comply fully and expeditiously with all U.S. regulatory requirements.

IRAQ

18. (S/NF) The CBJ has also shown growing concern about the banking sector's vulnerability as it absorbs a substantial influx of Iraqi cash into Jordan caused by insecurity in Iraq, the primitive nature of the country's financial infrastructure, and the loosening of Iraq's border controls. As Jordanian banks face up to the need to prevent Iraqi money laundering and insurgency finance, Jordanian banks - backed by CBJ pressure - appear to be heeding the lessons they have learned from their continuing exposure to the potential fall-out of the scandals surrounding sanction-busting during the Saddam era. We are aware of numerous examples of Jordanian banks applying know-your-client principles and turning away Iraqis attempting to deposit large sums of cash.

RUBINSTEIN